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PAGE 01 STATE 308214
ORIGIN EUR-03

INFO OCT-01 ISO-00 /004 R

66011

DRAFTED BY:EUR/RPE:PLLAASE

APPROVED BY:EUR/RPE:PLLAASE

-----020726 281021Z /12

R 280339Z DEC 77

FM SECSTATE WASHDC

TO AMEMBASSY BRUSSELS

C O N F I D E N T I A L STATE 308214

USEC

FOL CARACAS 12394 SENT ACTIONSECSTATE INFO USIA ABUDHABI
ALGIERS BONN BRASILIA DOHA JAKARTA JIDDA KUWAIT LAGOS LIBREVILLE
LONDON MANAMA MUSCAT PARIS QUITO ROME TEHRAN TOKYO TRIPOLI
OTTAWA VIENNA BAGHDAD DHAHRAN DEC 22, 1977 REPEATED TO YOU QUOTE

C O N F I D E N T I A L CARACAS 12394

USIA FOR IOP/M

EO 11652: GDS

TAGS: OPEC

SUBJ: CARACAS OPEC CONFERENCE: FINAL DAY AND PETROLEUM
ASSESSMENT

REF: A CARACAS 12330 B CARACAS 12331 C CARACAS 12367
C CARACAS 12392

1. SUMMARY: THE CARACAS OPEC CONFERENCE CONCLUDED WITH A
FREEZE ON OIL PRICES FOR AT LEAST SIX MONTHS, BUT LITTLE ELSE.
THE PRICE ISSUE WAS DISCUSSED, AND WHILE THE MEMBERS COULD NOT
AGREE ON AN INCREASE, THERE WAS NO OPEN SPLIT AS HAD OCCURED A
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PAGE 02 STATE 308214

YEAR AGO. PRES PEREZ'S PROPOSAL TO INCREASE ASSISTANCE TO THE
THIRD WORLD APPARENTLY FELL ON DEAF EARS, IN PART POSSIBLY DUE
TO HIS OVER ENTHUSIASTIC EFFORTS TO PROMOTE IT AMONG THE
ASSEMBLED OPEC MINISTERS. END SUMMARY.

2. THE CARACAS OPEC CONFERENCE ENDED ABOUT NOON DEC 21, 26
HRS AFTER IT WAS OPENED BY VEN PRES PEREZ. FORMAL SESSIONS

CONSISTED OF HIS HOUR-LONG INAUGURAL SPEECH DEC 20, A THREE-HOUR SESSION LATER THAT SAM DAY DEVOTED LARGELY TO FIXING THE AGENDA, AND A TWO HOURS WORKING SESSION THE NEXT MORNING.

3. SUBSTANTIVE RESULTS OF THE MEETING, AS REPORTED IN THE FINAL PRESS RELEASE (REF D), ARE SUMMARIZED AS FOLLOWS:

A THE MEMBERS AGREED TO CONSULT ON THE STRENGTHENING OF THIRD WORLD SOLIDARITY VIS A VIS THE NEW INTERNATIONAL ECONOMIC ORDER. THE CONFERENCE EXPRESSED DISSATISFACTION WITH THE LACK OF PROGRESS ON THE COMMON FUND FOR RAW MATERIALS AND CONFIRMED ITS SUPPORT OF THE FUND.

B THE CONFERENCE STUDIED BY COULD NOT REACH CONSENSUS ON OIL PRICE READJUSTMENTS.

C IT WAS DECIDED TO STUDY THE RELATIVE VALUE OF HEAVY CRUDES IN A MEETING OF THE AD HOC MINISTERIAL COMMITTEE IN THE FIRST QUARTER OF 1978.

D THE CONFERENCE DISCUSSED AND EXPRESSED CONCERN REGARDING THE EFFECT OF INFLATION ON THE PURCHASING POWER OF ITS MEMEBERS OIL PROFITS AND REGARDING THE WEAKENING OF THE DOLLAR, ORDERING THE SECRETARY TO STUDY THIS LAST QUESTION AND RECOMMEND MEASURES TO PROTECT THE MEMBERS' INTERESTS.

E THE CONFERENCE FIXED THE DATE OF THE NEXT MEETING AT JUN15, 78.

4. AFTER READING THE PRESS RELEASE AT A 2PM BRIEFING, OPEC SECRETARY GENERAL JAIDAH WENT ON TO SAY THAT THE MINISTERES HAD AGREED NOT TO DISAGREE ON THE PRICE ISSUE, WHICH HE SAID MEANT CONFIDENTIAL

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PAGE 03 STATE 308214

THAT INDIVIDUAL COUNTRIES WOULD NOT UNILATERALLY RAISE PRICES AND THAT THEREFORE PRESENT PRICES WOULD CONTINUE. THERE HAD BEEN A REPORT THAT THE LIBYAN MINISTER MADE IN A 2AM STATEMENT TO A MIDDLE EAST NEWS SERVICE TO THE EFFECT THAT LIBYA, ALGERIA, IRAQ AND NIGERIA WOULD RAISE PRICES ON THEIR OWN IF THE CONFERENCE DID NOT ACCEPT AN INCREASE.

5. IN HIS ONLY PRESS CONFERENCE, WHICH TOOK PLACE A FEW HOURS AFTER THE CONFERENCE ADJOURNED AND WAS LIMITED SOLELY TO VENEZUELAN JOURNALISTS, SHEIK YAMANI OF SAUDI ARABIA CHARACTERIZED THE CONFERENCE AS A TRIUMPH FOR OPEC RATHER THAN FOR ANY SPECIFIC GROUP, SAYING IT DEMONSTRATED THE ORGANIZATION'S UNITY IN DIFFICULT CIRCUMSTANCES. WHILE THERE WERE SOME VARIATIONS IN THE REPORTS FROM THIS PRESS CONFERENCE, IT WAS CONSISTENTLY REPORTED THAT HE SAID AGREEMENT ON PRICES WAS IMPOSSIBLE BECAUSE OF THE CURRENT OIL SURPLUS, ADDING THAT TODAY THERE IS A SURPLUS IN SUPPLY AND TOMORROW THERE WILL BE AN EXCESS OF CONSUMPTION, AND THAT IN THIS SITUATION SAUDI ARABIA WILL TAKE THE NECESSARY MEASURES TO ESTABLISH AN EQUILIBRIUM. ALSO, BECAUSE THE SAUDIS TAKE THIS RESPONSIBILITY, YAMANI SAID HE SAW NO NEED TO ANALYZE PRODUCTION PROGRAMMING. WHEN SURPLUSES ARE REDUCED, HOWEVER, HE REPORTEDLY SAID ANY COUNTRY CAN RAISE ITS PRICES.

6. PRESS REPORTERS COVERING THE CONFERENCE COMPLAINED ABOUT THE SECURITY PRECAUTIONS HINDERING THEIR EFFORTS. THE REPORTERS WERE KEPT IN THE MACUTO SHERATON WHICH IS CLOSE TO THE CARIBE. THEY WERE NOT ALLOWED IN THE CARIBE ON THEIR OWN AND THE ONLY WAY THAT THEY COULD SPEAK WITH ANYONE WAS TO SIGN UP ON A LIST WHICH WAS TAKEN TO THE MINISTERS, THE MINISTERS THEN WOULD DECIDE TO WHOM THEY WOULD SPEAK FEW REPORTERS EVER SAW A MINISTER.

7. THE INFO THEY DID RECEIVE WAS THRU PRESS BRIEFINGS HELD IN THE MACUTO. SOME INTERVIEWS WERE HELD IN THE MELIA, ONE FOR BRITISH JOURNALISTS WITH PRES PEREZ ON TUESDAY EVE ANOOTHER WITH SHEIK YAMANI LIMITED TO VEN REPORTERS, AND THE LAST ONE WAS WITH MINISTER ALTHANI AND A SELECTED GROUP OF 15 HOURNALISTS.
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PAGE 04 STATE 308214

8. MOST OF THE TIME THE JOURNALISTS ENDED UP SPEAKING TO EACH OTHER AND MAKING REMARKS THAT A NEW FORM OF CENSORSHIP HAD BEEN FOUND AND IT IS CALLED SECURITY.

9. COMMENT POSSIBLE MORE SIGNIFICANT THAN WHAT WAS SAID WAS WHAT WAS NOT SAID. THE PRESS RELEASE CONTAINED NO SPECIFIC REF TO PRES PEREZ' PROPOSAL TO USE INCREASED OIL PROCEEDS TO HELP THE REST OF THE THIRD WORLD. THE RELEASE SIMPLY SAID HE "MADE PROPOSALS STRESSING THE ROLE OF OPEC VIS A VIS THE OTHER DEVELOPING COUNTRIES." THERE WAS ALSO NO INDICATION THAT THE MEMBERS TOOK HEED OF HIS CALL FOR AN EXTRAORDINARY MEETING TO DISCUSS THIS PROPOSAL. HE SECRETARY GENERAL REPORTEDLY SAID THE PROPOSAL SHUD BE DISCUSSED AND CONSIDERED BY THE MEMBER GOVTS AND YAMANI APPARENTLY MADE A SIMILAR NON-COMMITTAL COMMENT, WHICH WE WOULD INTERPRET AS NO MORE THAN THAT REQUIRED BY SIMPLE COURTESY. AL OTAIBA IN HIS DEC 20 PRESS CONF BARELY DID TAHT. SOME LOCAL PRESS REPORTS CLAIM THE PROPOSAL WAS WELL RECEIVED AND HELPED AVERT A CRISIS WITHIN THE ORGANIZATION, BUT WE SEE LITTLE EVIDENCE OF THIS. HOWEVER, PEREZ HIMSELF, ASKED PRIVATELY BY A LOCAL PUBLISHER THE EVE OF DEC 20 ABOUT PROSPECTS FOR HIS PROPOSAL, INSISTED THAT WITHIN THREE MONTHS THE OPEC COUNTREIIS WOULD ACCEPT IT.

10. IT IS OUR PRELIMINARY ASSESSMENT THAT HIS PROPOSAL, AS MADE IN THE INAUGURAL SPEECH, WAS AN EXCELLENT TATCIC TO SHIFT THE FOCUS AWAY FROM PRICES PER SE, AND THUS EASE, AT LEAST ON THE DOMESTIC POLITICAL SCENE, WHAT APPEARED TO BE AN ALMOST INEVITABLE DEFEAT FOR HIS STRAONT STAND FOR A PRICIE INCREASE. WITHIN OPEC ITSELF, HOEVER, PEREZ MAY WELL HAVE OVERPLAYED HIS HAND AS HE APPARENTLY ATTEMPTED TO EXERT PRESSURE FOR HIS INITIATIVE DURING HIS PRIVATE MEETINS WITH EACH VISITING MINISTER. WE ARE TOLD SUCH EFFORTS WERE UNPRECEDENTED FOR OPEC, THE MINISTERS APPARENTLY WERE EXPECTING SIMPLE COURTESY VISITS FROM THE HOST CHIEF OF STATE. TIS ACTION APPEARS TO HVVE UNDERCUT THE ROLE OFPEREZ' OWN
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PAGE 05 STATE 308214

MINISTER HERNANDEZ, AND IT MAY WELL HAVE TURNED MANY OF THE VISITORS AGAINST THE PROPOSAL ITSELF.

11. ON OTHER SUBSTANTICE ISSUES, LITTLE INFO IS AVAILABLE OTHER THAN THAT ALREADY REPORTED. IN SPITE OF A REPORTED LAST MINUTE VENUE EFFORT TO POSTPONE DISCUSSION OF THE PRICE ISSUE TO AN EXTRAORDINARY MEETING TO BE HELD IN MAR, IT APPEARS THAT PRICES ARE EFFECTIVELY FROZEN FOR AT LEAST 6 MONTHS AND POSSIBLY A YEAR, DEPENDING LARGELY ON THE MARKET SITUATION WHEN OPEC RECONVENES IN JUN. THERE ALSO SEEMS TO HAVE BEEN NO DECISION ON PRODUCTION PROGRAMMING, ALTHOUGH THE COMMENTS BY SAUDI AND UAE MINISTERS WOULD SEEM TO INDICATE THAT SOME OF THE MIDDLE EAST PRODUCERS ARE AGAIN WILLING TO TAKE IT UPON THEMSELVES TO CUT BACK IN THE FACE OF SURPLUS PRODUCTIN.

12. A LOCAL GATHERING ON DEC 22 OF US UK JPANES AND CANADIAN EMBASSY REPS REVEALED SIMILAR CONCLUSIONS. PEREZ' PROPOSAL FOR DEBT RELIEF AND 5 TO 8 PERCENT INCREASE WAS GENERALLY SEEN AS AN ASTUTE POLITICAL MOVE WHICH KEPT THE CONF FROM BECOMING A DECIDED LIABILITY TO PERZ HIMSELF. THE UK AMBASSADOR EXPECTED THERE WOULD BE SOME BACKLASH AGAINST THE INDUSTRIALIZED COUNTRIEE WHO HAD PRESSED FOR A PRICE FREEZE, N VEN ITSELF AND CERTAINLY IN FURTHER NORTH-SOUTH DISCUSSIONS. THE GROUP WAS CURIOUS TO WHY IRAN A LEADER AND PRICE HAWK LAST YEAR, HAD BECOME A MODERATE FOLLOWER THIS YAR.

13. THE UNIVERSAL EXPRESSION AT THE END OF THE CONFERENCE PARTICULARLY PRONOUNCED AMONG THE VENEZUELAN OFFICIALS INVOLVED WAS ONE OF RELIEF. ALMOST TO A MAN, WE UNDERSTAND THEY ARE PLANNING LENGTHY HOLIDAY LEAVES. ON THEIR RETURN, WE WILL ATTEMPT TO OBTAIN A MORE COMPLETE UNDERSTANDING OF JUST WHAT TOOK PLACE AT THE CONFERENCE AND WHAT FALLOUT CAN BE EXPECTED. CROWLEY UNQUOTE VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 28-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE308214
Document Source: CORE
Document Unique ID: 00
Drafter: EUR/RPE:PLLAASE
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770482-1285
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771211/aaaaaiyi.tel
Line Count: 207
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8bf15dfc-c188-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 118558
Secure: OPEN
Status: NATIVE
Subject: CARACAS OPEC CONFERENCE: FINAL DAY AND PETROLEUM ASSESSMENT
TAGS: PGOV, OPEC
To: BRUSSELS
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/8bf15dfc-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009